

REVENUE DEPARTMENT[701]

Notice of Intended Action

Proposing rule making related to barbering, cosmetology, and esthetics and providing an opportunity for public comment

The Revenue Department hereby proposes to amend Chapter 26, “Sales and Use Tax on Services,” Iowa Administrative Code.

Legal Authority for Rule Making

This rule making is proposed under the authority provided in Iowa Code section 421.14.

State or Federal Law Implemented

This rule making implements, in whole or in part, Iowa Code sections 423.2 and 423.36 and 2020 Iowa Acts, Senate File 155.

Purpose and Summary

In 2020 Iowa Acts, Senate File 155, the Legislature enacted a change to the definition of “barbershop” in Iowa Code section 158.1 to allow for barber shops to be “readily movable.” Iowa Code section 423.2(6)“g” lists “barber and beauty” among the services subject to sales tax in Iowa. The Department has an existing rule regarding the practice of barbering and beauty that provides sales tax permit requirements for persons providing those services.

The Department reviewed this rule following the enactment of 2020 Iowa Acts, Senate File 155, and determined updates are appropriate. This proposed rule making would remove explanation of activities included in the phrase “barber and beauty” and instead refer to the definitions of “barbering,” “cosmetology,” and “esthetics” from the Iowa Code chapters that govern the practices of those professions. This proposed rule making also adds a definition of “barbershop” to capture the change made in Senate File 155. Additional changes include updating Iowa Code references and replacing the term “gross receipts” with “sales price” in accordance with revisions made to the Iowa Code since the last time this rule was updated.

Fiscal Impact

This rule making has no fiscal impact to the State of Iowa. No fiscal estimate was associated with 2020 Iowa Acts, Senate File 155.

Jobs Impact

After analysis and review of this rule making, no impact on jobs has been found.

Waivers

Any person who believes that the application of the discretionary provisions of this rule making would result in hardship or injustice to that person may petition the Department for a waiver of the discretionary provisions, if any, pursuant to 701—7.28(17A).

Public Comment

Any interested person may submit written or oral comments concerning this proposed rule making. Written or oral comments in response to this rule making must be received by the Department no later than 4:30 p.m. on January 5, 2021. Comments should be directed to:

Tim Reilly
Department of Revenue
Hoover State Office Building
P.O. Box 10457
Des Moines, Iowa 50306
Phone: 515.725.2294
Email: tim.reilly@iowa.gov

Public Hearing

If requested, a public hearing at which persons may present their views orally or in writing will be held as follows:

January 5, 2021
2 to 3 p.m.

Room 430, Fourth Floor
Hoover State Office Building
Des Moines, Iowa

Persons who wish to make oral comments at the public hearing may be asked to state their names for the record and to confine their remarks to the subject of this proposed rule making.

Any persons who intend to attend the public hearing and have special requirements, such as those related to hearing or mobility impairments, should contact the Department and advise of specific needs.

Review by Administrative Rules Review Committee

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rule making by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rule making at its [regular monthly meeting](#) or at a special meeting. The Committee's meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

The following rule-making action is proposed:

Amend rule 701—26.9(422) as follows:

701—26.9(422 433) Barber and beauty.

26.9(1) *Services subject to sales tax.* Persons engaged in the business of ~~hair cutting, hair styling, hair coloring, wig care, manicuring, pedicuring, applying facial and skin preparations, and all like activities which tend to enhance the appearance of the individual~~ barbering and beauty are rendering, furnishing, or performing a service, the ~~gross receipts from sales price of which are~~ is subject to tax.

26.9(2) *Definitions.*

"Barbering" means the same as defined in Iowa Code section 158.1.

"Barbershop" means the same as defined in Iowa Code section 158.1.

"Beauty" means the same as "cosmetology" and "esthetics" as those terms are defined in Iowa Code section 157.1.

26.9(3) *Sales tax permits.*

a. Each "barber, beauty or other beautification shop or establishment" shall receive only one permit and remit tax as one enterprise, when operated under a common management.

b. When an operator leases space and is an independent operator, the lessee shall notify the department and secure a sales tax permit whereby the lessee will be responsible directly for the sales tax due. In order to be considered independent, the lessee must also be independent from the lessor for the purposes of withholding of income tax, unemployment compensation, and social security taxes.

26.9(4) *Leasing.* The lessor who has leased a part of the premises shall report to the department the names and addresses of all lessees. If the lessor is accounting for the lessee's sales, the lessor shall, after the name of each lessee, show the amount of net taxable sales made by the lessee on each

report to the department, and which net taxable sales are included in the lessor's return. See also
rule 701—15.11(422,423).

This rule is intended to implement Iowa Code section ~~422.43~~ sections 423.2(6) “g” and 423.36.